

Mr. Bundy
Cuba

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MEMORANDUM FOR THE MEMBERS OF THE NSC PLANNING GROUP

FROM: Henry H. Fowler

SUBJECT: Suggested Item for Discussion: Application
of Severe Economic and Other Sanctions to
Cuba.

Attached is a memorandum proposing that contingency studies be made of the effects and feasibility of the imposition by the U.S. of severe economic sanctions against Cuba. It is suggested that this matter be discussed at a future meeting of the Planning Group.

Attachment

DECLASSIFIED

E. O. 11652, SEC. 5(E), 5(D), 5(E) AND 11

Treasury (NLK-73-30)
BY MED NARS, DATE 8/23/77

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~~MEMORANDUM~~

6/16/61

SUBJECT: Application of Severe Economic and Other Sanctions to Cuba

PROBLEMS

1. To determine, in light of NSC Action 2422a, May 16, 1961, what economic sanctions, in addition to those presently under consideration by the President, would most effectively contribute to the U.S. objective toward Castro.
2. To determine under what contingencies the U.S. might apply severe economic sanctions against Cuba, and to develop contingency plans for their application.

DISCUSSION

Economic Sanctions. Present standby documents which have been delivered to the White House for imposing a trade embargo and Foreign Assets Controls on Cuba would have only a minor economic effect. The few remaining Cuban assets would be blocked (about \$65 million, almost all privately owned), and most of the relatively small amount of trade and other financial transactions would be eliminated (U.S. exports approximately \$30 million per year and U.S. imports approximately \$42 million).

There exists legal authority for controls which could, depending on the extent of application, have major economic impact on Cuba and perhaps contribute significantly to the U.S. ultimate objective toward Castro. The Trading-With-The-Enemy Act provides broad powers which could be applied to all persons and property over which the United States has jurisdiction.

Our preliminary studies have indicated a number of severe economic sanctions which could be applied against Cuba in the event of further provocation by Castro. It is recognized that some of the sanctions, while legal, could cause significant foreign relation difficulties and in their most extreme application might be appropriate only in the event of imminent hostilities:

1. Terminate U.S. air traffic to Cuba and vice versa.

Comment: This could have an important political and psychological effect in furthering the isolation of Cuba. The impact, economic

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E. O. 11652, SEC. 3(E), 5(D), 5(E) AND 11

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Treasasury (NLK-73-30)
BY MFD NARS, DATE 8/23/77

as well as political, would be increased if we were prepared to prevent aircraft of other nations from transiting the United States on trips to and from Cuba.

2. Order American oil companies to cease bunkering vessels carrying cargo to or from Cuba. Comment: Soviet Bloc and Free World vessels and tankers now carry considerable amounts of freight and petroleum to Cuba. To the extent they are deprived of access to bunkers in the Caribbean area they would be required to carry their bunkers and thus be deprived of cargo space. The effectiveness of this measure would depend upon U.K. cooperation to deny Shell bunkering facilities.

3. /

4. Apply our controls to all U.S. subsidiaries abroad.

Comment: In the Cuban blocking restrictions presently under consideration at the White House, U.S. subsidiaries in Canada would be exempt. An examination of the question of applying severe controls against Cuba should appropriately include further study of the whole question of the extent to which these controls should be applied to subsidiaries. The more fully overseas subsidiaries are included the more effective our controls can be. -

5. Apply the Battle Act to Cuba and enforce it strictly.

Comment: Under a strict enforcement of this act, we could terminate aid to any country shipping strategic goods to Cuba. The effect of this action on U.S. military assistance to NATO would be a major factor in determining the extent of Battle Act application.

6. Apply our controls to try to prevent foreign transactions with Cuba. Under the Trading-With-The-Enemy Act legal authority exists not only to prevent Americans from dealing with Cuba or engaging in transactions in which Cubans have an interest, but

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depending upon the severity of the controls we could legally prohibit Americans from dealing with foreign nationals who continue to deal with Cuba, similar to controls in effect during World War II. We could, for example, blacklist all Free World ships carrying freight or petroleum to or from Cuba. This would bar these ships from U.S. ports and U.S. charters, thus interfering with their marketability on the world charter markets. It is fully recognized that the political and administrative problems would be of a magnitude that such measures would be undertaken only in the most drastic situations, if then.

Lastly, in considering extreme measures, it is believed that the question of a naval and air blockade should be again reviewed.

RECOMMENDATION

That the Departments of State, Treasury and Defense, or the Cuba Task Force, study the political, economic and legal aspects of the various measures mentioned above (or of other severe economic sanctions which might effectively contribute to the U.S. objective toward Castro) and of the contingencies under which such sanctions might be applied.

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